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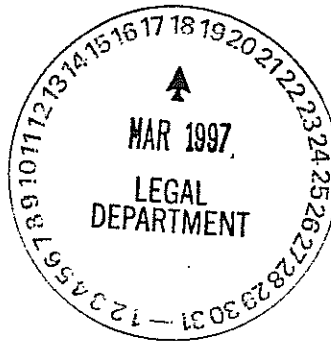
A PROFESSIONAL CORPORATION

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March 13, 1997

VIA FEDERAL EXPRESS

V. Peter Wynne, Esquire
ARCO Chemical Company
Legal Department/H13917
3801 West Chester Pike
Newtown Square, PA 19073

William F. Giarla, Esquire
Law Department
Beazer East, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219

RE: Beaver Valley

Dear Peter and Bill:

I have enclosed a fully executed copy of the Settlement Agreement together with Seth Barsky's letter to me dated March 12, 1997. I will retain the original Agreement in our files.

It has been a long haul, but we are finally in the process of collecting some money. Congratulations to everyone.

Very truly yours,


Albert G. Bixler

AGB:cy
Encl.
10143254

April 22, 1997

To: D. Green
R. Pegoraro
T. Walsh

FYI.

Peter Wynne



U.S. Department of Justice

Environment and Natural Resources Division

90-11-1-21

Environmental Defense Section
P.O. Box 23986
Washington, DC 20026-3986

Telephone (202) 514-2455
Facsimile (202) 514-2584

March 12, 1997

CONFIDENTIAL - FOR SETTLEMENT PURPOSES ONLY

VIA FEDERAL EXPRESS

Albert G. Bixler, Esq.
Connolly Epstein Chicco
Foxman Engelmyer & Ewing
1515 Market Street
Philadelphia, PA 19102-1909

Re: Arco Chemical Co./Beazer East Inc. -- Beaver
Valley Plant

Dear Al:

Enclosed please find an executed original of the settlement agreement in the above-referenced matter. Pursuant to paragraph 10(a) of the Agreement, I will serve as the Government Representative. Please forward the name and relevant information concerning the ACC Representative at your earliest convenience. Finally, we are comfortable with the cost documentation approach set forth in your March 4, 1997 letter.

Thank you for your cooperation in this matter. If you have any questions or concerns, please feel free to call me at (202) 514-2455.

Sincerely,

Assistant Attorney General
Environment & Natural Resources Division

By:

Seth M. Barsky, Attorney
Environmental Defense Section

cc: Sharon Chen, GSA

AGREEMENT

This Agreement is made this *12th* day of *March* 1997, between ARCO Chemical Company ("ACC") and Beazer East, Inc. ("Beazer") on the one hand, and the United States of America (referred to as "the Government Parties") on the other hand.

WHEREAS, ACC is the present owner and Beazer is the former owner of an industrial plant located in Beaver Township, Pennsylvania, now known as the ACC Beaver Valley Plant ("the Facility"), which Facility consists of manufacturing plants, as well as former landfill areas, located on approximately 230 acres of land;

WHEREAS, the Facility was constructed in 1941 and was initially owned by the Government Parties;

WHEREAS, portions of the Facility are contaminated with hazardous substances;

WHEREAS, at least six operable units have been identified at the Facility: the Central Plant/Styrene II area ("Central Plant"), the West Landfill, the Over-the-Hill Tank Farm ("Over-the-Hill"), the Raccoon Creek area, the Phthalic Anhydride plant area ("Phthalic Anhydride"), and the East Landfill;

WHEREAS, ACC has undertaken investigatory and monitoring work at the Central Plant, Raccoon Creek, West Landfill and Over-the-Hill operable units (the "Western Operable Units") (a map and more detailed description attached as Exhibit 1) and at the East Landfill and Phthalic Anhydride units (the "Eastern Operable

Units") (a map and more detailed description attached as Exhibit 2);

WHEREAS, ACC has entered into an Administrative Order by Consent ("AOC") with the Commonwealth of Pennsylvania, Department of Environmental Protection ("DEP"), dated July 12, 1994 (the "ACC AOC," attached as Exhibit 3), obligating ACC to undertake certain additional investigatory activities at the Facility;

WHEREAS, as a result of all of the investigatory activities undertaken, the DEP will require certain remedial activities at the Facility;

WHEREAS, Beazer has contributed to the payment for the activities conducted to date and has agreed to contribute to the costs of future remedial activities;

WHEREAS, ACC and Beazer have incurred substantial costs of response with respect to the Facility and expect to incur large additional costs of response in the future;

WHEREAS, ACC and Beazer have formally demanded that the Government Parties contribute to the payment of those costs of response; and

WHEREAS, ACC, Beazer and the Government Parties desire to enter into an Agreement to settle ACC's and Beazer's demands on the terms and conditions set forth below, without any admission of any issue of fact or law;

NOW, THEREFORE, ACC, Beazer and the Government Parties, intending to be legally bound hereby, agree as follows:

1. The Government Parties are bound by this Agreement, and each Government party is responsible for the performance of the obligations of all Government Parties. ACC and Beazer are bound by this Agreement as are any entities which are their successors by operation of law.

* 2. The Government Parties hereby agree to pay twenty-eight and one-half percent (28.5%) of all Costs of Response incurred by ACC and/or Beazer with respect to the Western Operable Units after January 1, 1988, it being understood that a part of those costs will be incurred in the future.

3. (a) As used in the preceding paragraph and throughout this Agreement, "Costs of Response" shall mean only all of those expenses, damages, fees and other costs, of whatever nature, which are recoverable under Sections 107 and 113 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"). Costs of Response shall be reimbursable under this Agreement to the extent that such costs are incurred in a response action which, when evaluated as a whole, is in substantial compliance with the National Contingency Plan ("NCP") and results in a CERCLA-quality cleanup, as provided in 40 C.F.R. § 300.700(c). As used in this Agreement, Costs of Response shall include, without limitation, damages for natural resources as defined in section 107 of CERCLA.

(b) For the purposes of this Agreement, the Government Parties do not contest that Costs of Response incurred in compliance with the Pennsylvania Land Recycling and

Environmental Remediation Standards Act ("Act 2") are in substantial compliance with the NCP and will result in a CERCLA-quality cleanup.

(c) "Costs of Response," as defined above, shall include payment of invoices or other requests for payment received by ACC and/or Beazer from third parties (including the Commonwealth of Pennsylvania and/or EPA) in connection with response actions at the Western Operable Units and any direct costs as may be incurred by ACC and/or Beazer on a strict labor and material basis in connection with those Costs of Response. Exhibit 4 hereto is a list of ACC and Beazer job titles whose payroll costs allocable to remedial activities at the Facility are reimbursable by the Government Parties under this Agreement. In no event shall "Costs of Response" include civil penalties assessed against ACC and Beazer, or internal costs incurred by ACC or Beazer other than those specified in this paragraph and Exhibit 4 hereto, or any legal fees or expenses incurred by ACC or Beazer in litigating or negotiating either liability regarding the Western Operable Units or the Government Parties' share of these Costs of Response. In addition, in no event shall "Costs of Response" include any expenses, fees or other costs, of whatever nature, incurred in connection with investigating or remedying environmental contamination that resulted from or are attributable solely to activities at the Facility occurring after January 1, 1988, nor shall "Costs of Response" include any costs incurred in effectuating any sale or transfer of the portions of the Facility

comprising the Western Operable Units, including but not limited to any due diligence costs incurred by any entity.

(d) ACC and Beazer desire to enter an AOC or Consent Decree after the date of this Agreement regarding contamination at the Western Operable Units and other areas at the Facility and are presently negotiating with DEP toward that end. ACC or Beazer have given reasonable advance notice of such proposed AOC or Consent Decree to the Government or the Government Representative (as defined below) and will continue to provide the Government with information concerning those negotiations at the Government's request. The Government Parties may participate in the negotiations before ACC or Beazer signs any such AOC or Consent Decree if the Government Parties so decide.

4. In the event that ACC or Beazer receives any recovery or reimbursement from any third party for Costs of Response regarding the Western Operable Units incurred by ACC and/or Beazer with respect to which costs the Government Parties previously had paid a twenty-eight and one-half percent (28.5%) share under this Agreement, the party receiving that third-party payment will pay or credit the Government Parties an amount equal to twenty-eight and one-half percent (28.5%) of the net recovery received from such third party.

5. As used in the preceding paragraph and throughout this Agreement, "net recovery" shall mean the gross recovery received by ACC or Beazer less any and all costs, expenses and fees

(including legal fees) incurred by ACC or Beazer in obtaining such recovery or reimbursement:

6. In the event that ACC and/or Beazer receive any recovery or reimbursement from any third party for Costs of Response regarding the Western Operable Units incurred by ACC and/or Beazer with respect to which costs the Government Parties are obligated to pay a twenty-eight and one-half percent (28.5%) share pursuant to paragraph 2 hereof, but have not already made such payment, ACC and/or Beazer shall retain for its own account and benefit the full amount of such recovery. In such event, the Government Parties shall receive a credit equal to twenty-eight and one-half percent (28.5%) of the net recovery received by ACC and/or Beazer, which credit shall be applied toward the obligation of the Government Parties with respect to those Costs of Response which were the subject of the recovery or reimbursement.

7. The provisions of paragraphs 4 and 6 shall not apply to any recovery or reimbursement received by ACC or Beazer from any of their insurance carriers. Any such recovery or reimbursement shall be retained by ACC or Beazer in its own account and the Government Parties shall receive no payment or credit of twenty-eight and one-half percent (28.5%) of the net recovery from any such lawsuit. However, this paragraph 7 shall not apply to any insurance policy ACC, Beazer, or any of their predecessors in interest obtained which covers the Western Operable Units and which names the Government Parties as a beneficiary.

8. If ACC or Beazer decides to commence any action against any party who is a potentially responsible party under CERCLA for Costs of Response with respect to the Western Operable Units, ACC or Beazer shall give the Government Parties reasonable advance notice of such action, and upon the request of ACC or Beazer, the Government Parties may at their sole discretion choose to either (a) join in such lawsuit with ACC or Beazer; (b) assign to ACC or Beazer their claims against any such potentially responsible party on mutually agreeable terms; or (c) take other appropriate action.

9. (a) ACC and Beazer forever release and discharge the Government Parties and their governmental predecessors and successors from any and all costs, claims, demands, fines, penalties, assessments, charges, and attorney's fees, whether known or unknown, based upon any facts whether known or unknown, arising out of or relating in any way to the investigation, remediation or response to environmental contamination at the Western Operable Units, and covenant not to sue or take any other action, whether legal or equitable, against the Government Parties and their governmental predecessors and successors, under any theory of recovery under state law, federal law, or based on any contract, arising out of or relating in any way to the investigation, remediation or response to environmental contamination at the Western Operable Units. This paragraph does not apply to suits to enforce the terms of this Agreement or to suits or claims against the EPA or any successor thereto.

(b) The Government Parties and ACC and Beazer further agree that in any future action by any non-party to this Agreement against any party to this Agreement, the respective liabilities of ACC and Beazer, on the one hand, and the Government Parties, on the other hand, shall be as set forth in this Agreement and no more or no less. In and at the conclusion of any such future action, each party agrees and warrants that it will bear the percentage of liability set forth in this Agreement.

(c) ACC and Beazer further agree to indemnify and hold harmless the Government Parties from and against all claims for damages, liability or loss made by contractors engaged in remediation work at the Western Operable Units or their employees asserting personal injury or property damage arising from the negligence, gross negligence or intentional wrongdoing of ACC, Beazer or any contractor engaged by either of them in connection with work performed by that party in connection with remediation of environmental contamination at the Western Operable Units.

(d) ACC further agrees to indemnify and hold harmless the Government Parties from and against all claims for damages, liability or loss made by Nova Chemical International or any subsidiary or affiliate thereof seeking reimbursement of Costs of Response in connection with environmental remediation at the Western Operable Units.

(e) ACC and Beazer further agree not to settle any claim relating to the Western Operable Units with any other party without including in such settlement a provision that such party

will not sue or bring any judicial or administrative action against the Government Parties based on alleged liability in connection with the Western Operable Units.

(f) The Government Parties forever release and discharge ACC and Beazer and their non-governmental predecessors and successors from any and all costs, claims, demands, fines, penalties, assessments, charges, and attorney's fees, whether known or unknown, based upon any facts, whether known or unknown, arising out of or relating in any way to the investigation, remediation or response to environmental contamination at the Western Operable Units and covenant not to sue or take any other action, whether equitable or legal, against ACC or Beazer and their non-governmental predecessors and successors, under any theory of recovery under state law, federal law or based on any contract, arising out of or relating in any way to the investigation, remediation or response to environmental contamination at the Western Operable Units. This paragraph does not apply to suits to enforce the terms of this Agreement. Nothing in this Agreement shall be construed to apply to, waive, or restrict the rights of the United States on behalf of the Environmental Protection Agency or any federal natural resource trustee to take any action with respect to the Facility or the Western Operable Units, or to waive or restrict any rights ACC and/or Beazer may have to challenge such action or to take any other legal action against such entities.

10. (a) Simultaneously with the execution of this Agreement, the Government Parties shall designate an individual who

shall be the representative of and point of contact on behalf of the Government Parties ("Government Representative") with respect to all issues arising among ACC, Beazer and the Government Parties relating to this Agreement, including but not limited to the payment of all sums which are due or may become due from the Government Parties to ACC or Beazer and the receipt of all funds which may become due to the Government Parties from ACC or Beazer.

(b) Simultaneously with the execution of this Agreement, ACC and Beazer shall jointly designate an individual who shall be the representative of and point of contact on behalf of ACC and Beazer ("ACC Representative") with respect to all issues arising among ACC, Beazer and the Government Parties relating to this Agreement, including but not limited to the payment of all sums which are due or may become due from the Government Parties to ACC or Beazer and the receipt of all funds which may become due to the Government Parties from ACC or Beazer.

11. (a) For each calendar year, ACC and Beazer shall prepare and provide to the Government Representative a joint statement of Costs or Response ("Statement") payable to ACC and Beazer by the Government Parties that have been incurred and paid by ACC and/or Beazer during the period covered by the Statement. ACC and Beazer shall include with the statement a "Cost Package" which shall include:

(i) sufficient documentation (prepared by ACC with respect to costs incurred by ACC and by Beazer with respect to

costs incurred by Beazer) to allow the Representative to verify the accuracy of the costs claimed;

(ii) declarations under 28 U.S.C. § 1746 from ACC and Beazer that the costs incurred by them respectively were both properly incurred and paid and are within the definition of Costs of Response set forth in paragraph 3(a) hereof, and, with regard to any Costs of Response, that those Costs of Response were incurred in compliance with CERCLA or Act 2 and are in substantial compliance with the NCP; and

(iii) certifications from ACC and Beazer that payment of the amount on such Statement will be accepted as payment in full of the obligation of the Government Parties under paragraphs 2 and 3 of this Agreement with respect to all Costs of Response incurred and paid for by ACC and/or Beazer during the period of time covered by such Statement, except for any Costs of Response incurred and paid by any federal or state governmental agency or instrumentality during that period of time which were not included on such Statement.

(b) Notwithstanding the foregoing, ACC and Beazer shall have the right to submit such a Statement and Cost Package for a period of time less than one calendar year if the Costs of Response payable to ACC and Beazer by the Government Parties for that period of time exceed the sum of One Million Dollars (\$1,000,000). In no event shall ACC and Beazer submit a Statement and Cost Package for any period of less than six months.

(c) In addition, within one hundred twenty (120) days of the date of final execution of this Agreement, ACC and Beazer shall submit a Statement and Cost Package for all Costs of Response incurred and paid for the Western Operable Units before September 30, 1996, which amount is approximately \$19,903,258.

12. (a) Within one hundred twenty (120) days after the Representative receives the first Statement and Cost Package and within ninety (90) days after the Representative receives any subsequent Statement and Cost Package, the Government Parties shall pay the amount owed, or, in the event of a dispute, any undisputed portion of such amount.

(b) Payment by the Government Parties shall be made by electronic funds transfer payable to the "Beazer/ARCO Escrow Account No. 1030-2A" at Mellon Bank, N.A., ABA No. 043000261, C/A 900-9010. Payment shall be made in either the amount owed, or, in the event of a dispute, the undisputed amount to an escrow account established by ACC and Beazer.

13. Each payment due to the Government Parties hereunder shall be made payable to the United States Treasury and delivered to the Government Representative within ninety (90) days after ACC or Beazer receives the proceeds from which such payment is due.

14. (a) If the Government Parties dispute any portion of the amount owed as stated in a Statement, the Government Representative shall send a notice of dispute to the ACC Representative within forty-five (45) days after the Government

Parties receive the Statement. In the event of such a dispute concerning the amount owed, the parties shall utilize the procedures set forth in paragraph 16 to resolve the dispute.

(b) Following resolution of a dispute, payment of that portion of the disputed amount held to be owed by the Government Parties shall be due within ninety (90) days of the date on which the dispute is resolved, together with interest thereon calculated at the rate established under 42 U.S.C. § 9607(a) compounded annually commencing on the date on which the disputed payment was first due from the Government Parties. Payment shall be made as per paragraph 12 above.

15. If any payment due from the Government Parties to ACC and Beazer or from ACC or Beazer to the Government Parties is not timely made, all parties reserve their right to seek interest or other appropriate relief from a court of competent jurisdiction and all parties retain rights to oppose any such claim.

16. In the event of a dispute, controversy or claim arising out of or relating to this Agreement (including any dispute under paragraph 14 above), the party raising the dispute must give written notice to the other parties setting forth the nature and basis for the dispute within forty-five (45) days from the date on which the dispute arises, and the parties shall endeavor in good faith to resolve the dispute informally including at least one meeting attended by all parties regarding the issue in dispute. If the dispute is not resolved within thirty (30) days from the date of receipt of the written notice, either party may seek appropriate

relief from any court of competent jurisdiction to resolve the dispute.

17. The Government Representative, as described in paragraph 10 herein, upon the reasonable request of ACC or Beazer, may attend and may participate in any meeting which ACC and Beazer has with any state or Federal regulatory agency concerning the Western Operable Units.

18. All expenditures by the Government Parties hereunder are subject to appropriation of funds applicable for that purpose. No provision of this Agreement shall be interpreted as or constitute a commitment or requirement that the Government Parties obligate or pay funds in contravention of the Anti-Deficiency Act, 31 U.S.C. § 1341. ACC and Beazer reserve their rights to pursue all available remedies in the event the Government Parties do not make the payments provided for in this Agreement.

19. This Agreement may be modified only by the written agreement of the parties.

20. In the performance of their duties and obligations hereunder each party shall be acting in an independent capacity and not as the agent, partner or joint venturer of the others. Except as otherwise specifically permitted herein, no party by virtue of this Agreement has authority to act on behalf of, make decisions for, make representations or commitments of any kind on behalf of, or describe or represent itself as the agent of any other party. By entering this Agreement it is agreed and understood that the Government Parties have not assumed any obligation to perform

remedial activities at the Facility or any other obligation under the ACC AOC, or any other order or obligation to perform environmental remedial activities at the Facility. Nothing in this Agreement shall be construed as making the Government Parties a party to or making the Government Parties assume any obligations of any contract that has been or may be entered into by ACC or Beazer related to the Western Operable Units.

21. Upon reasonable notice to ACC, the Government Parties shall have the right to send qualified representatives to visit any portion of the Facility to which ACC or Beazer have access in connection with the remediation being conducted by ACC or Beazer during normal working hours to review the work completed and in progress, including but not limited to physical inspection of the Facility and reviewing and copying any nonconfidential materials maintained at the Facility and related to the work performed under this Agreement.

22. Each undersigned representative of a party to this Agreement certifies that he or she is fully authorized to enter

into this Agreement and to execute and legally bind such party to this Agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Agreement as of the date first-above written.

ARCO CHEMICAL COMPANY

By: *Ma G. J.* *VQW*

Attest: *Walter W. Wynn*

BEAZER EAST, INC.

By: *James Plender*

Attest: *Barry S. Flaherty*

UNITED STATES OF AMERICA

[Name] Lois J. Schiffer

[Title] Assistant Attorney General

By: *Seth M. Barsky*

[Name] Seth M. Barsky

[Title] Trial Attorney

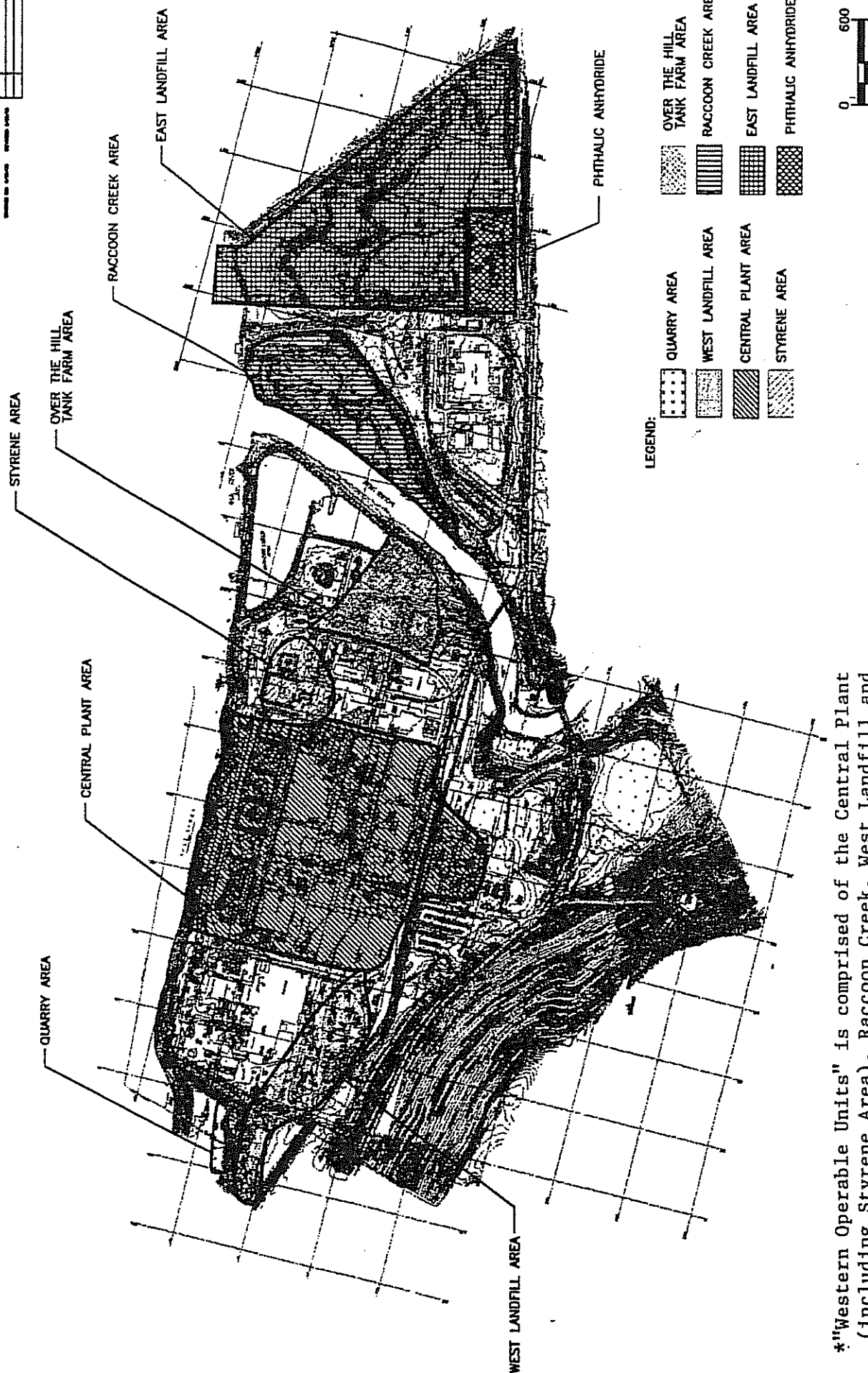
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Exhibit 1

[Map and property description]

Exhibit *Western Operable Units

DATE	10/10/82
BY	W. J. H. H.
FOR	W. J. H. H.
REVISION	
NO.	



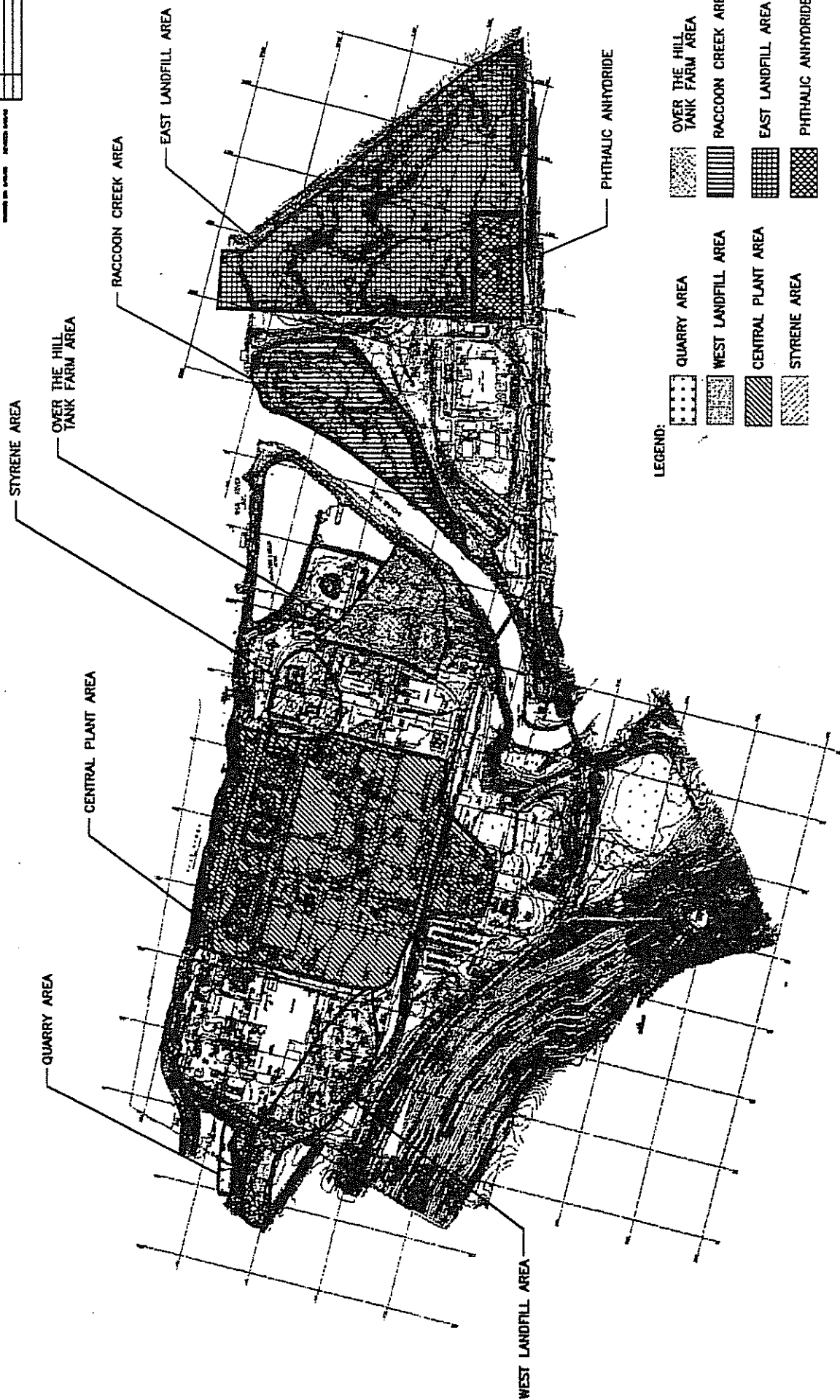
*"Western Operable Units" is comprised of the Central Plant (including Styrene Area), Raccoon Creek, West Landfill and the Over-the-Hill operable units.

Exhibit 2

[Map and property description]

Exhibit
*Eastern Operable Units

DATE	BY	REVISION



*"Eastern Operable Units" include East Landfill Area and Phthalic Anhydride operable units.

APPROXIMATE AREA OF
ACT 2 REMEDIATION

Exhibit 3